

THE ADMINISTRATION'S PLAN TO MODERNIZE AMERICA'S SCHOOLS

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Students can't be expected to reach high standards in substandard school buildings. After years of deferred maintenance and growing enrollments, a significant new investment is needed to prepare our school facilities for the 21st century. Half of our public schools need repairs totaling \$127 billion, according to a recent U.S. Department of Education report. To help communities nationwide modernize their schools, President Clinton has called on Congress to pass his school construction proposals: \$25 Billion in School Modernization Bonds and \$6.5 Billion in Urgent School Renovation Loans and Grants.

\$25 BILLION IN SCHOOL MODERNIZATION BONDS. In the U.S. House of Representatives, Reps. Charles Rangel (D-NY) and Nancy Johnson (R-CT) introduced bipartisan legislation (H.R. 4094) based on the President's proposal. In the Senate, Sen. Charles Robb has introduced a similar bill. **The Johnson-Rangel America's Better Classrooms Act now has 224 co-sponsors — more than half the members of the U.S. House of Representatives.** The proposal would create \$24.8 billion in school construction bonds that would be interest-free for school districts and would help modernize 6,000 schools nationwide.

- **How School Modernization Bonds Work.** Bondholders would receive federal tax credits rather than interest payments from school districts, allowing districts to borrow interest-free for school construction. A similar mechanism has been used successfully for Qualified Zone Academy Bonds (QZABs). Districts could use these 15-year bonds to modernize existing schools as well as build new ones. The proposal would cost \$2.4 billion over five years. The bill's innovative financing mechanism is a cost-effective approach to leveraging local construction that avoids a new bureaucracy. All decisions regarding which schools to build or repair would be left to states and local school districts.
- **How Bonds Would Be Allocated.** Of the \$24.8 billion in school construction bonding authority: \$2.4 billion would be allocated to expand the existing Qualified Zone Academy Bonds program, \$400 million to Bureau of Indian Affairs schools, \$13.2 billion to states based on enrollment, and \$8.8 billion to the 125 school districts with the largest number of low-income children.

LOANS AND GRANTS FOR URGENT REPAIRS. President Clinton proposed a \$1.3 billion initiative to make \$6.7 billion in grants and interest-free loans for emergency repairs at 5,000 schools a year. Sen. Harkin and Rep. Clay have introduced urgent school repair legislation.

- **A Five-Year Effort to Help 25,000 Schools.** Over five years, the initiative would help 25,000 schools — more than one-fourth of all schools — repair roofs, heating and cooling systems, and electrical wiring. These repairs can help make schools safer and more energy efficient, as well as improve access to technology.
- **Complements School Modernization Bonds.** Urgent School Renovation loans and grants would complement School Modernization Bonds proposal, including the bipartisan bill introduced by Reps. Johnson and Rangel that now has 224 co-sponsors. School Modernization bonds would fund major renovation projects and new buildings, while loans and grants would be available faster and with a financing structure that is better suited to repair projects.
- **Targets Funds to Meet Need.** Of the \$1.3 billion in renovation funds:
 - \$125 million in grants would be provided to other high-need school districts with little or no capacity to borrow money for emergency repairs. The smaller grant program would provide direct funding to the neediest school districts unable to finance the capital expenditures associated with school renovation;
 - \$50 million in grants would fund repairs and construction at school districts where half or more of students live on Indian lands;
 - The remaining \$1,125 million would fund \$6.5 billion in interest-free, seven-year loans.

